

***Questions for the Record – Sen. Tom Coburn***  
*Hearing on “The Effectiveness of the Small Business Administration”*  
*April 6, 2006*

**Hector Barreto, Administrator, SBA**

**SBA Strategic Goals**

1. SBA strategic goal 2.1.3 seeks to see SBA-assisted start-up businesses be more successful in their first year than un-assisted businesses. Why is only one year being tracked? Since loans extend for longer than one year, shouldn't SBA track businesses over the life of the loan?
2. Strategic goal 2.2.1 works to “increase the number of existing small businesses receiving SBA assistance.” Does this refer to increasing the number of loans? If so, why is it desirable that more small businesses receive guaranteed loans?
3. Strategic goal 2.2.4 states that, “By FY2008, the number of SBA-assisted small businesses will exceed the national average rate for revenue growth by small firms.” Wouldn't profitability be a better measure of success than revenue growth since many companies generate revenue without making a profit?
4. Strategic goal 2.2.3 states that “For FY2008, SBA-assisted small businesses will exceed the national average rate for job creation by small firms.” Why do you feel that job creation is a good measure of success for SBA programs? Do you believe that government-induced job creation alone is an appropriate end for public policy?
5. Strategic goal 2.3.4 states that by FY2008, small businesses helped by SBA will exceed the national average for survivability within two years of receiving assistance. How does survivability prove the success of the program?
6. Does SBA assistance help companies enter into the private credit market without needing SBA guarantees? In other words, how does SBA measure the future creditworthiness of companies that were assisted by SBA when they were un-creditworthy?
7. Do you believe that it is appropriate to classify a business of 500 people as a “small business” when it is larger than 99.7% of all businesses in the country?
8. When will SBA be changing its size standards to not include a business of 500 people?
9. One of SBA's key statutory missions is to “maintain and strengthen the nation's economy” [15 U.S.C. §631(a)]. How do you measure whether or not SBA is achieving this mission?
10. Specifically, how do you link your agency's outputs (ie – number of loans helped, number of contracts awarded, etc.) to the success of the economy? What economic indicators do you use, and what is the peer-reviewed, literature-supported link between the outputs and your indicators?
11. Does SBA link its goals and results to its operating costs? How so?
12. What reforms are you seeking as part of your reauthorization package?

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13. On your Executive Branch Management Scorecard, the SBA gets a “RED” for “financial performance.” Can you explain this?
14. In your latest Program Assessment Rating Tool (PART), SBA programs scored high in purpose, but low in results. Can you explain why SBA received a 53% in the ‘Results’ column for its 7(a) Guaranteed loan program?
15. Why did SBA get a score no higher than 67% in any category in the results column?
16. At the hearing, you disagreed with various portions of the testimony given Dr. Veronique de Rugy, Research Fellow, American Enterprise Institute. Please provide as detailed a response to her testimony as you feel is necessary to support your objections to her research with documented refutation of her analysis.

7(a) Program

17. Do you believe that there is a market failure in the credit market demonstrating the need for the government to step in and provide loan guarantees for small businesses? If so, please provide a detailed analysis to support your conclusion.
18. The SBA Inspector General has serious concerns that 7(a) loans are made by private lenders with little or no oversight by the SBA. What reforms are you putting in place to resolve these concerns?
19. If you discovered that SBA’s calculation for loan fees was incorrect and did not cover defaults, would you recommend increasing fees or returning to a taxpayer subsidy?

Contracting Programs

20. What is the economic rationale for setting aside 23% of all federal prime contracts for small businesses and/or “disadvantaged”?
21. Given our nation’s \$600 billion deficit this year, is it economically justified to allow any factor other than best value to trump in the contracting process for almost a quarter of the government’s business?
22. The SBA Inspector General has repeatedly issued warnings to SBA because contracts intended for small businesses keep going to medium and large businesses. What is SBA doing to resolve this problem?

Regulatory Assistance

23. Why is SBA setting its regulatory assistance goals for FY2006-07 at lower levels than have been achieved in the previous four years?
24. Why does SBA dedicate little more than 1.5% of its budget to advocacy efforts that result in meaningful regulatory assistance to *all* small business? Would SBA be able to achieve more regulatory assistance for small business if more of its budget were dedicated to the task?